# PX 206

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**From:**        Ron Will█████@ripple.com]
**on behalf of**  Ron Wil████@ripple.com> █████@ripple.com]
**Sent:**        12/18/2018 7:36:32 AM
**To:**                                @ripple.com>] ███████████ @ripple.com>]
**Subject:**     Re: OKR's

John

We could have a whole leadership offsite on this one email - but for now, lets keep it to the 3 of us.

The goal of all employees is to maximize shareholder value - we'd probably agree on that.   OKRs should help guide and align those efforts.

What I find it very interesting in your email is that not once do you mention XRP.  However, our holding of XRP is our "North Star" - and THE key driver of Ripple valuation.

Unlike every other company that all of us have worked at - Ripple is unique in that aspect - and because of that, setting OKRs is far more nuanced than you lay out below.  At our company or leadership meetings, we don't talk in terms of customer or revenue churn, lifetime value, CAC, etc. .Unlike every other software company - sales at Ripple does not sell the thing that directly drives shareholder value or cash flow at Ripple.   So using historical analogies and experience only goes so far here.

We have various activities around driving value maximization - and the OKRs are guidelines and signals that those strategies are aligned and hopefully successful.   We sell software products that are almost inherently loss leaders, to drive usage of a unique digital asset.  We aren't driven by integration, subscription or transaction fees - and we regularly discount off of our list prices to an extreme sub-economic level.  We are looking to generate usage at scale of a digital asset, XRP.   xRapid directly uses XRP, while xVia and xCurrent provide RippleNet reach and additional volume across xRapid - so not 2 networks - otherwise our North Star would say why do we bother selling xCurrent or xVia that don't touch XRP.  Building a SWIFT replacement may be a potential output of our strategy, and a helpful way to position our product for customers - but it is not a goal to maximize value of our XRP stake.

What is also different at Ripple is we also lack robust historical data - or really much data at all.  So while we have built a 5 year operating model, I also have a healthy skepticism about it.  As a reminder - we set 2018 volume OKRs at $5bn of transaction volume, 900K of transactions and $30mm of xRapid volume after much discussion.  We will have less than █████ RippleNet transactions and less than █████ of xRapid volume in 2018 and a long list of blockers discussed this morning before we are able to say xRapid is at scale.  So we have woefully failed at our ability to accurate predict activity such as driving volume in xCurrent or xRapid this year.

So what is the value of a node signed on the network?  What about nodes going active on the network?  How many nodes get us to a network effect? Typically you would use the value of early customers to generate a thesis for that analysis.  How about even more basic - what is the timeline for someone to go from an intra-bank use case to an interbank use case?  Do we have one of those yet at scale? What was the timeline? Yet we are aggressively discounting customers to get them on the "network" - with no idea if anyone will move to an inter-bank use case in any reasonable timeline.  If you have data on when SWIFT hit that tipping point, that'd be one data point - or I could use some academic like Metcalfe's law - but even that is dependent on the number of nodes in contact - and assumes each node is of equal benefit.  Keep in mind that we have yet to figure out a

single customer other than ████ that has done even 10K transactions in a quarter yet in xCurrent - and xRapid is even earlier so using any of those models for 2019 OKRs seems comical.

So closing this out:
1) Your team has a points scheme - you would like to have your personal compensation tied to an OKR that directly matches deals that meet the criteria for a sold deal. We all agree the points scheme has been a good change = but have you ever had a comp scheme different than your team in the past 30 years? I've yet to see that. Sure it allows you to "own" a number of deal OKR and gude it - but I don't believe folks are optimizing for banks vs payment providers now - so why would they in the future? Also, you are a member of leadership with a large equity stake - so regardless of your cash compensation scheme, it would be rational for you to focus on the greater longer term mission of our North Star. Ironically, I'm fine about changing the definition of the OKR though if you want to go back to whatever is good enough to get points, gets credit, but think Brad has a view that you and Marcus should be on the same compensation scheme as your teams - and still own an OKR.
2) You think we should have more OKRs - what is missing? I don't see the issue being one around # of OKRs - which we should be able to cut down on if we agree on our strategy and alignment. I think its just we're misaligned - why we sell xCurrent, what is our goal, why we sell to payment providers, and most importantly - what drives long term value for Ripple.

I've attached the 5 year model we've built - I'm sure we can find more to argue about there :-)
5 year operating model

Best - and if we don't chat - have a great holiday.

Ron

On Mon, Dec 17, 2018 at 3:00 PM ████████████ @ripple.com> wrote:
████ Ron,

I would welcome a conversation about the OKR's (and obviously how we will measure the success of the overall Sales team). How we measure the sales team is clear - this is about how we measure the company

It seems to me that OKR's should reflect what are an important and attainable measures of success for the company against its strategic agenda. For a network company, there are 3 measures that stand out:

1) Nodes signed onto the network
2) Nodes going active on the network
3) Volume on the network -

However, we are building two networks: A pure fiat currency network, and a fiat/digital currency liquidity network. Hence we should be interested in the progress of both.

In my experience, it has always been important to have one executive responsible for the delivery of an OKR - "one throat to choke". That executive may indeed employ the efforts of other departments to achieve the objective but they are ultimately held accountable. With Sales, that has been the production deals signed OKR. Indeed, it has been the critical measure of success in front of the company, the Board and from my boss!

The Sales OKR, it is not aligned if a sales person is selling a deal (whether or not they are paid on it) that does not count towards the OKR. In 2018, we were almost 100% aligned on this key requirement of the measurement. I do not want to be in a position where sales guys are closing deals at the end of a quarter (to get paid commissions) when those deals do not count towards the OKR.

As to the absolute value of the OKR, I have already learned that 8 of the 2018 deals would not have even been engaged under the new GTM. Added to that, the 6 deals that you identified under the proposed definition of the OKR presented today, and we are down from 94 deals in 2018 to 80 deals. What do we think would be a

successful attainment in 2019? How does that attainment get us to the required milestone against a strategic agenda? For instance:

- How many nodes get us to the network effect?
- How many nodes get us the coverage required in a network that is a viable alternative to Swift?
- How many nodes would be a reasonable ask of Sales within the resources allocated for 2019?
- What would a bottom-up assessment fo the new GTM produce by way of a target number of nodes?

A target of 120 was loosely based on headcount and productivity but if the rules are changed, then that would have to be reassessed. But in any case, what matters is where we need to be on our strategic journey by the end of 2019.

Finally, why do we care if a logo is counted twice or more if those "counts" are valid nodes on the network? For example:

- A federated bank has many entities. We sign one entity with a unique contract and subscription. Now we have another entity that needs to be sold, contracted and has another subscription. Why wouldn't we count that as two deals?

- We sell a payment provider on a fiat-only license. Subsequently, we sign them onto an xRapid license. Why wouldn't we count that as two deals?

I would suggest that our goal should not be to simplify or reduce the number of OKR's but rather to make them relevant and measurable against the success criteria of a strategic roadmap.

Very happy to discuss soonest!


Best,

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